

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
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E.O. 11652: N/A
TAGS: EFIN, EGEN, PK
SUBJECT: CMLA ANNOUNCES INTENTION TO REFORM AGRICULTURAL TAX
SYSTEM

REF: ISLAMABAD 3586

1. GENERAL ZIA-UL-HAQ AT A PRESS CONFERENCE IN HYDERABAD ON APRIL 11 ANNOUNCED A COMPREHENSIVE REVIEW OF THE COUNTRY'S AGRICULTURAL REVENUE SYSTEM AIMED AT INCREASING ITS EFFECTIVENESS. THE CHIEF MARTIAL LAW ADMINISTRATOR SAID THAT THE GOAL OF THE EXERCISE WOULD BE TWO-FOLD. FIRST, IT WOULD SATISFY THE PUBLIC WHICH HAS BEEN COMPLAINING ABOUT THE SYSTEM AND SECONDLY IT WOULD REVISE THE REVENUE RATE STRUCTURE. CURRENTLY PAKISTAN DOES NOT HAVE AN AGRICULTURAL INCOME TAX, BUT DOES HAVE AN AGRICULTURAL LAND TAX.

2. THE CMLA'S ANNOUNCEMENT COMES AMIDST GROWING CRITICISM OF THE CURRENT SYSTEM OF AGRICULTURAL TAX POLICY. THE APRIL 7 EDITION OF THE GOVERNMENT-ORIENTED PAKISTAN TIMES COMMENTED EDITORIALY THAT THE REVENUE SYSTEM, DESCRIBED AS AN INHERITANCE FROM "THE COLONIAL ERA", IS UNREALISTIC, ALLOWS FOR WIDESCALE EVASION, AND LEAD TO DISTORTION IN THE STATISTICS REQUIRED FOR ECONOMIC
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PLANNING. THE PREVIOUS GOVERNMENT HAD HOPED LAST YEAR TO SOLVE THE PROBLEM BY INTRODUCING AN AGRICULTURAL INCOME TAX IN THE PFY 78 BUDGET BUT, THE EVENTS OF LAST JULY RESULTED IN AN INDEFINITE POSTPONEMENT OF THIS CONTROVERSIAL AND POLITICALLY SENSITIVE TAX. AN ATTEMPT TO RECOVER THE LOST REVENUE WAS MADE IN JANUARY WHEN THE LAND TAX WAS DOUBLED. LAND TAX ASSESSMENTS ARE BASED ON ARCHAIC PRICE AND PRODUCTIVITY ESTIMATES AND

REVISION WAS LONG OVERDUE.

3. THE GOP TECHNOCRATS HAVE PLANS FOR FUTURE CHANGES IN THE RATES TO MAKE THE AGRICULTURAL LAND TAX MORE PROGRESSIVE. AS PRESENTLY CONYVITUTED, ALL AGRICULTURAL HOLDINGS IN EXCESS OF 25 ACRES ARE SUBJECT TO TAXATION WHILE THOSE OF LESS THAN 25 ACRES ARE COMPLETELY EXEMPTED. THE NEW RATE STRUCTURE PRESUMABLY WILL SHIFT MORE OF THE TAX BURDEN ONTO LARGE LANDOWNERS. HOW THE AGRICULTURAL INCOME TAX MIGHT BE IMPLEMENTED IS ALSO UNDER CONSIDERATION AT THE TECHNICAL LEVEL.
HUMMEL

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Message Attributes

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